

**PRIME MERIDIAN RESOURCES CORP.**

**Consolidated Financial Statements**

**Year Ended December 31, 2016 and 2015**

**(Expressed in Canadian Dollars)**

## **Management's Responsibility**

---

To the Shareholders of Prime Meridian Resources Corp.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management, and external auditors. The Audit Committee has the responsibility of meeting with management, and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and the Audit Committee, and management to discuss their audit findings.

May 1, 2017

*"Brian Leeners"*

---

**Brian Leeners**

*"Gregory Pearson"*

---

**Gregory Pearson**

## INDEPENDENT AUDITORS' REPORT



To the Shareholders of Prime Meridian Resources Corp.:

We have audited the accompanying consolidated financial statements of Prime Meridian Resources Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for the years then ended and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Prime Meridian Resources Corp. and its subsidiary as at December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 1 of these financial statements, which states that Prime Meridian Resources Corp. incurred significant losses from operations, negative cash flows from operating activities and has an accumulated deficit. This, along with other matters described in Note 1, indicates the existence of a material uncertainty which may cast significant doubt about the ability of Prime Meridian Resources Corp. to continue as a going concern.

MNP LLP

Vancouver, British Columbia  
May 1, 2017

Chartered Professional Accountants



# PRIME MERIDIAN RESOURCES CORP.

## Consolidated Statements of Financial Position

As at December 31, 2016 and 2015

Expressed in Canadian Dollars

	Notes	December 31, 2016	December 31, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash		\$ 69,647	\$ 8
Marketable securities	6	1,750	1,500
GST receivable		18,336	35,501
		<b>89,733</b>	<b>37,009</b>
<b>Long-term Assets</b>			
Advances receivable		273,873	-
<b>Total ASSETS</b>		<b>\$ 363,606</b>	<b>\$ 37,009</b>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIENCY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued liabilities	10	\$ 941,552	\$ 527,900
Short-term loans	9	425,434	-
Payable to Primrose Drilling Ventures Ltd.	10	685,958	699,975
		<b>2,052,944</b>	<b>1,227,875</b>
<b>Shareholder's deficiency</b>			
Share capital	11	7,198,408	7,109,908
Share subscriptions received	11	-	70,000
Contributed surplus		2,061,425	2,062,425
Accumulated other comprehensive loss		(438,936)	(458,727)
Deficit		(10,510,235)	(9,973,472)
		<b>(1,689,338)</b>	<b>(1,190,866)</b>
		<b>\$ 363,606</b>	<b>\$ 37,009</b>

### Nature of operations and going concern (note 1)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the directors on May 1, 2017

*"Brian Leeners"*

\_\_\_\_\_  
Director

*"Gregory Pearson"*

\_\_\_\_\_  
Director

# PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Comprehensive Loss  
For the Years Ended December 31, 2016 and 2015  
Expressed in Canadian Dollars

		For the Years ended December 31	
	Notes	2016	2015
<b>Expenses</b>			
Consulting and management fees	10	\$ 286,500	\$ 277,500
Foreign exchange loss		3,877	-
Insurance		2,264	4,731
Office and miscellaneous		279	13,327
Rent and administrative services	10	120,000	121,000
Professional fees	7, 10	79,164	17,280
Transfer agent and filing fees		16,044	12,897
Interest expense	9	29,151	-
<b>Total Expenses</b>		<b>(537,279)</b>	<b>(446,735)</b>
<b>Loss before other income (expenses)</b>		<b>(537,279)</b>	<b>(446,735)</b>
<b>Other income (expense)</b>			
Interest income		266	-
Loss on disposal of exploration and evaluation assets		-	(10,448)
Unrealized loss on marketable securities		250	(8,500)
Impairment of exploration and evaluation assets		-	(15,226)
<b>Total other income (expense)</b>		<b>516</b>	<b>(34,174)</b>
<b>Net loss for the year</b>		<b>(536,763)</b>	<b>(480,909)</b>
<b>Other comprehensive income (loss)</b>			
Translation of subsidiary to presentation currency		19,791	(106,027)
<b>Comprehensive loss for the year</b>		<b>\$ (516,972)</b>	<b>(586,936)</b>
<b>Basic and diluted loss per share</b>		<b>\$ (0.03)</b>	<b>(0.03)</b>
<b>Weighted average number of common shares outstanding</b>		<b>20,590,422</b>	<b>20,590,422</b>

The accompanying notes are an integral part of these consolidated financial statements

# PRIME MERIDIAN RESOURCES CORP.

## Consolidated Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

	For the Years ended December 31,	
	2016	2015
Cash provided by (used in):		
<b>Operating activities</b>		
Net loss for the year	\$ (535,763)	\$ (472,409)
Items not affecting cash:		
Foreign exchange	5,774	12,888
Impairment of exploration and evaluation assets	-	15,226
Change in fair value of marketable securities	(250)	8,500
Changes in non-cash working capital items:		
Accounts payable and accrued liabilities	413,652	255,077
GST receivable	17,165	(21,705)
<b>Net cash provided by (used in) operating activities</b>	<b>(100,422)</b>	<b>(210,923)</b>
<b>Investing activities</b>		
Advances receivable	(273,873)	-
Exploration and evaluation expenditures	-	(15,226)
<b>Net cash (used in) provided by investing activities</b>	<b>(273,873)</b>	<b>(15,226)</b>
<b>Financing activities</b>		
Loan proceeds	425,434	-
Share subscriptions received	(70,000)	70,000
Shares issued for cash	88,500	48,820
<b>Net cash provided by (used in) financing activities</b>	<b>443,934</b>	<b>118,820</b>
Net increase (decrease) in cash	69,639	(107,329)
Cash, beginning of the year	8	107,337
Cash, end of the year	\$ 69,647	\$ 8

The accompanying notes are an integral part of these consolidated financial statements

# PRIME MERIDIAN RESOURCES CORP.

Consolidated Statements of Changes in Shareholders' Equity  
For the Years Ended December 31, 2016 and 2015  
Expressed in Canadian Dollars

	Number of common shares outstanding	Share capital	Subscriptions received	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total Shareholders' Equity (deficit)
<b>Balance, December 31, 2015</b>	20,590,422	\$ 7,109,908	\$ 70,000	\$ 2,061,425	\$ (458,727)	\$ (9,973,472)	\$ (1,190,866)
Shares issued	885,000	88,500	(70,000)	-	-	-	18,500
Translation of subsidiary to presentation currency	-	-	-	-	19,791	-	19,791
Loss for the year	-	-	-	-	-	(536,763)	(536,763)
<b>Balance, December 31, 2016</b>	<b>21,475,422</b>	<b>\$ 7,198,408</b>	<b>\$ -</b>	<b>\$ 2,061,425</b>	<b>\$ (438,936)</b>	<b>\$ (10,510,235)</b>	<b>\$ (1,689,338)</b>
<b>Balance, December 31, 2014</b>	20,590,422	\$ 7,061,088	\$ -	\$ 2,061,425	\$ (352,700)	\$ (9,492,563)	\$ (722,750)
Subscription funds received	-	-	70,000	-	-	-	70,000
Shares issued	-	48,820	-	-	-	-	48,820
Translation of subsidiary to presentation currency	-	-	-	-	(106,027)	-	(106,027)
Loss for the year	-	-	-	-	-	(480,909)	(480,909)
<b>Balance, December 31, 2015</b>	<b>20,590,422</b>	<b>\$ 7,109,908</b>	<b>\$ 70,000</b>	<b>\$ 2,061,425</b>	<b>\$ (458,727)</b>	<b>\$ (9,973,472)</b>	<b>\$ (1,190,866)</b>

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

### 1. Nature of operations and going concern

Prime Meridian Resources Corp. (“the Company” or “PMR”) was federally incorporated on February 22, 2007 and is a public company listed on the TSX Venture Exchange (“TSX-V”). The Company has submitted an application to the TSX-Venture Exchange for its change of business to the TSX Venture Exchange focused on the acquisition and financing of companies in the agriculture and agriculture technology sectors, announced on September 26, 2016 (the “COB Transactions”) (Note 7), as well, the Company has engaged a third party agent to fund the COB Transactions. (Note 8). In addition, the Company established a wholly owned subsidiary, TryLine AG (Pty) Ltd. in South Africa during the year ended December 31, 2016. The subsidiary commenced minimal operation subsequent to December 31, 2017.

The corporate head office of the Company is located at 14<sup>th</sup> Floor, 1040 West Georgia Street, Vancouver, B.C., V6E 4H8.

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRS”) applicable to a going concern which contemplates that the Company will be able to realize its assets and settle its liabilities in the normal course as they come due for the foreseeable future. As at December 31, 2016, the Company had no source of operating cash flows and reported comprehensive loss for the year of \$536,763 (December 31, 2015 – loss of \$586,936), working capital deficit of \$1,963,211 (December 31, 2015 - \$1,190,866), has an accumulated deficit of \$10,510,235 (December 31, 2015 - \$9,973,472). These factors as well as payments required to complete the various COB Transactions (Note 7) indicate a material uncertainty that may cast substantial doubt about the Company’s ability to continue as a going concern. Management has determined that the Company will require additional financing to meet its obligations for the next fiscal year. Continued operations are dependent on the Company’s ability to complete equity financings and secure project debt financing. It is not possible to predict whether financing efforts will be successful.

These consolidated financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern.

### 2. Basis of preparation

#### a) Statement of compliance

These consolidated financial statements are audited and represent the annual consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by International Accounting Standards Board (“IASB”), applicable to the preparation of consolidated financial statements. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Prime Meridian Resources Inc. and TryLine AG (Pty) Ltd. The Board of Directors approved these consolidated financial statements on May 1, 2017.

#### b) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. The functional currency of the subsidiary in US is the United States dollar and the functional currency of South African subsidiary is in South African Rand (“ZAR”).

#### c) Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and contingency liabilities as at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

*Key critical judgment in applying accounting policies:*

#### Going concern

These consolidated financial statements have been prepared on the basis of the accounting principles applicable to a going

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

concern, which assumes the Company's ability to continue in operation for the foreseeable future and to realize its assets and discharge its liabilities in the normal course of operations. There are several adverse conditions that cast substantial doubt upon the soundness of this assumption. Refer to note 1 for more details.

*Key sources of estimation uncertainty:*

### Income taxes and recoverability of potential deferred tax assets

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax planning opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities.

### Recoverability of advances receivable

In assessing the recoverability of advances receivable, management estimated no provision for uncollectable amount given that all advances will be transferred to investments upon closing of Change of Business Transactions.

## **3. Significant accounting policies**

The significant accounting policies of the Company are as follows:

### **a) Principles of consolidation**

These consolidated financial statements include the accounts of the Company and its wholly owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. All inter-company transactions and balances have been eliminated upon consolidation.

### **b) Foreign currency translation**

The functional currency of the parent company is the Canadian dollar, and the functional currency of the subsidiary is the United States dollar.

Items included in the financial statements of each consolidated entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the statement of comprehensive loss.

Assets and liabilities of the subsidiary with a functional currency in US dollars are translated at the year end rates of exchange, and the results of its operations are translated at average rates of exchange for the year. The resulting translation adjustments are included in accumulated other comprehensive income as a separate component shareholders' equity. Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are included in accumulated other comprehensive income.

### **c) Cash and cash equivalents**

Cash is comprised of cash on hand and deposits in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

### d) Impairment of non-financial assets

Non-financial assets are evaluated at the end of each reporting period by management for indicators that carrying value is impaired and may not be recoverable. When indicators of impairment are present, the recoverable amount of an asset is evaluated at the level of a cash generating unit ("CGU"), the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, where the recoverable amount of the CGU is the greater of the CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments to the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses for assets with a finite useful life, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior periods. A reversal of an impairment loss is recognized immediately in the statement of comprehensive loss.

### h) Share-based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date using the Black-Scholes option pricing model.

The fair value is estimated at grant date and each tranche is recognized on a graded-vesting basis over the period the options vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in comprehensive loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to contributed surplus.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

### i) Earnings (loss) per share

Basic earnings (loss) per share ("EPS") is calculated by dividing profit or loss attributable to ordinary equity holders (numerator) by the weighted average number of ordinary shares outstanding (denominator) during the period. The denominator is calculated by adjusting the shares issued at the beginning of the period by the number of shares bought back during the period, multiplied by a time-weighting factor.

Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of dilutive options and other dilutive potential units. The effects of anti-dilutive potential units are ignored in calculating diluted EPS.

### j) Income taxes

Tax expense comprises current and deferred tax. Tax expense is recognized in profit or loss except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are the taxes expected to be payable or recoverable on differences between the carrying amount of assets in the statement of financial position and their corresponding tax bases used in the computation of taxable profit or loss, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for taxable temporary differences arising on investments in subsidiaries where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future, or on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. Deferred tax assets are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

### **k) Financial instruments**

#### **Financial assets**

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

#### *Fair value through profit or loss*

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded through the statement of comprehensive loss. Cash and marketable securities are included in this category of financial assets.

#### *Available-for-sale financial assets*

Available-for-sale financial assets are financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition at fair value, they are measured at fair value and changes therein are recognized in accumulated other comprehensive income (loss) and presented within equity in accumulated other comprehensive loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to comprehensive loss. The Company does not have any available-for-sale financial assets.

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date, and are carried at amortized cost, using the effective interest method, less any impairment. Loans and receivables are comprised of advances receivable.

### *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, held with the intention of holding these investments to maturity and subsequently measured at amortized cost. These investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period. The Company has no financial assets classified as held-to-maturity investments.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence indicating that one or more events have had a negative impact on the estimated future cash flows of that asset. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

An impairment loss in respect of a financial assets measured at amortized cost is calculated as the difference between its carrying amount and the net present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale asset is calculated by reference to its fair value and any amounts in other comprehensive income are transferred to net loss.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Financial assets are de-recognized when the contractual rights to the cash flows from the financial asset expire or when the contractual rights to those assets are transferred.

Gains or losses related to impairment or de-recognition are recognized in the statement of comprehensive loss in the period in which they occur. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

### **Financial liabilities**

The Company classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the statement of comprehensive loss over the period to maturity using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other financial liabilities include accounts payable and accrued liabilities, short-term loans, and payable to related parties.

### **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received net of direct issuance costs.

### **l) New accounting standards, amendments and interpretations issued but not yet effective:**

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

The IASB issued the following standards, which are not yet effective and have not been applied in the preparation of these consolidated financial statements. The Company is in the process of determining the extent of the impact on its consolidated financial statements.

- IFRS 9 Financial Instruments, this new standard is a partial replacement of International Accounting Standard (“IAS”) 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The proposed effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018.
- The IASB issued IFRS 15, Revenue from Contracts with Customers, which provides a single principle-based framework to be applied to all contracts with customers. IFRS 15 replaces the previous revenue standard IAS 18, Revenue, and the related Interpretations on revenue recognition. The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments. The new standard is a control-based model as compared to the existing revenue standard which is primarily focused on risks and rewards. Under the new standard, revenue is recognized when a customer obtains control of a good or service. Transfer of control occurs when the customer has the ability to direct the use of and obtain the benefits of the good or service. This standard is effective for reporting periods beginning on or after January 1, 2018.
- IFRS 16 was issued in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. This standard is effective for reporting periods beginning on or after January 1, 2019.

The Company has not early adopted these revised standards and are currently assessing the impact that these standards will have on the consolidated financial statements.

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company’s consolidated financial statements.

#### 4. Capital management

The Company’s objectives when managing capital are to:

- ensure there are adequate capital resources to manage the Company’s ability to continue as a going concern;
- maintain adequate levels of funding to sustain the required current investments and any new capital investments;
- maintain investor, creditor and market confidence to sustain future development of the business; and
- provide returns to shareholders and benefits for other stakeholders.

The Company classifies its share capital and contributed surplus as capital, which at December 31, 2016 totalled \$9,259,833 (December 31, 2015 - \$9,172,333). The Board of Directors does not establish qualitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development of the business. The Company will continue to assess new investments and seek to acquire an interest in investments if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company’s approach to capital management during the year. The Company is not subject to any externally imposed capital requirements.

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

---

### 5. Financial instruments and financial risk management

#### a) Fair value

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted market prices, as appropriate, in the most advantageous market for that instrument to which the Company has immediate access. Where quoted market prices are not available, the Company uses the closing price of the most recent transaction for that instrument. In the absence of an active market, fair values are determined based on prevailing market rates for instruments with similar characteristics. The fair value of current financial instruments approximates their carrying values as long as they are short term in nature or bear interest at market rates.

#### b) Fair value hierarchy

Financial instruments that are held at fair value are categorized based on a valuation hierarchy which is determined by the valuation methodology utilized:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels 1 and 2 during the year.

The Company's financial instruments carried on the Consolidated Statement of Financial Position are carried at amortized cost with the exception of cash and marketable securities. These instruments have been assessed on the fair value hierarchy described above and classified as Level 1.

#### c) Financial risks

##### (i) Interest rate risk

The Company's interest rate risk arises primarily from the interest received on cash, which is invested on a short term basis to enable adequate liquidity for payment of operational and capital expenditures. In addition, short-term loan is subject to interest rate risk. As the short-term loan's interest rate is fixed, Interest rate risk is considered minimal.

##### (ii) Foreign currency risk

The Company does not have significant values of financial instruments denominated in currencies that are different than the functional currency of the entity to which they relate, other than: 1) the loan payable to Primrose Ventures Drilling Ltd. which is denominated in US dollars; 2) advances receivable which are denominated in ZAR and US dollars; and 3) short-term loans payable, which are denominated in US dollars.

##### (iv) Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations and arises principally from its receivables. The Company's credit risk is primarily attributable to advances receivables. The Company has made advances to a number of companies (Note 7) which will lead to further capital investments in these companies, in return, the Company will receive a return based on participation interest in the various companies upon completion of Transactions. The carrying

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

---

amount of advances receivable recorded in the consolidated financial statements, net of any allowances, represents the Company's maximum exposure to credit risk.

(v) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk by maintaining cash. Liquidity requirements are managed based on expected cash flow to ensure there is capital to meet short term and long term obligations. At December 31, 2016, the Company did not have sufficient cash on hand to pay its short term creditors and does not generate cash from its operations. Accordingly, liquidity risk is considered high.

### 6. Marketable securities

In September 2014, the Company received 500,000 units of Bitterroot Resources Ltd., ("Bitterroot") with a fair value of \$10,000 as partial proceeds on the sale of certain mineral property interests in Baraga Basin, Michigan. Each unit consists of one Bitterroot common share and one warrant, exercisable for two years at \$0.10 per share. During the year ended December 31, 2015, the shares of Bitterroot were consolidated to 10:1, thus the number of shares the Company owns were adjusted to 50,000. Warrants expired unexercised on September 17, 2016. As at December 31, 2016, the fair value of the shares had decreased to \$1,750.

### 7. Advances receivable

At December 31, 2016, the Company had made the following initial advances:

Advanced to:		In foreign currency
Avinier (Pty) Ltd.	68,586	ZAR700,000
African Guar Gum Corp.	\$ 68,586	ZAR700,000
APV Joint Venture	69,566	ZAR710,000
Growbuddy, Inc	67,135	US\$50,000
	\$ <u>278,873</u>	

On September 26, 2016, the Company announced a change of business ("COB") focusing on the acquisition and financing of companies in the agriculture and agriculture technology sectors ("COB Transaction"). COB Transaction consists of the agreements entered into with four non-related party companies listed below. The closing of COB Transaction is subject to TSX-V approval.

#### Avinier Investment

Avinier (Pty) Limited ("Avinier") owns and operates a blueberry farm in South Africa. Pursuant to the investment agreement (the "**Avinier Agreement**") executed on November 15, 2016, the Company have an option to provide financing of South African Rand ("ZAR") 73,630,000 (equivalent to CAN\$7,214,267 as at December 31, 2016) to Avinier (the "**Avinier Investment**"), which is subject to TSX-V approval ("Closing"). Immediately following completion of the Avinier Investment, the Company will own 70% of the outstanding capital stock of Avinier on a fully diluted basis. The Company will have first right in the event that additional funding will be raised by the sale of capital stock in Avinier, to offer better terms or at minimum maintain its respective ownership in Avinier on the terms of the additional funding for capital stock of Avinier. The funding for the Avinier Investment will be used to:

- Finance the expansion of the blueberry plantation from 15 hectare to 105 hectare
- Finance the purchase of a cold storage a berry grading facility for the upgrade of the packing facility

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

At the execution of the Avinier Agreement, the Company provided a ZAR700,000 (equivalent to CAN\$68,586) of refundable loan to Avinier (the “**Avinier Loan Payment**”) which, upon Closing, will offset against final payment due upon Closing and if Closing does not take place within a reasonable period of time, the loan will be refunded to the Company on notice subject to annual interest rate set at LIBOR. The Avinier Loan Payment along with the Aldwych Engagement Agreement (Note 8) will trigger a 120-day exclusive period for the Company to complete the Avinier Investment. This 120-day exclusive period will be extended for a further 30-day period if the regulatory approvals process requires more time to complete.

Pursuant to the Avinier Agreement, Avinier’s board of directors will consist of four directors, with the Company nominating half of the directors annually. Quarterly, the Board will approve a business plan and quarterly budget. Exceptions to the quarterly budget will require written approval of the Board.

### African Guar Gum Acquisition

The Company entered into the acquisition agreement (the “**AGGC Agreement**”) on October 31, 2016 with African Guar Gum Corporation (Pty) Ltd., a company that focuses on the contract farming and processing of guar beans to acquire 100% of the issued capital of AGGC from its shareholders (the “**Vendors**”). The Company will invest ZAR4,300,000 (equivalent to CAN\$421,314) in AGGC via an equity placement into AGGC. The Company will also issue to the Vendors, 2.4 million common shares of the Company at a deemed price of US\$0.10 per share for all of the issued and outstanding shares of AGGC.

The Company provided a ZAR700,000 (equivalent to CAN\$68,586) refundable advance to AGGC which, on closing, will convert to capital stock in AGGC. The advance will be refundable if Closing does not take place within a reasonable period, repayable to the Company and subject to an annual interest rate of 5%. This advance along with the Aldwych Engagement Agreement (Note 8) will trigger a 120-day exclusive period for PMR to complete the investment in and acquisition of AGGC. This 120-day exclusive period will be extended for a further 30-day period if the regulatory approvals process requires more time to complete. Following Closing, the board of directors of AGGC will consist of new directors appointed by the Company.

### APV Acquisition

The Company entered into the acquisition agreement (the “**APV Agreement**”) on November 14, 2016 to acquire APV, a company that focuses on the contract farming and processing of guar beans, from its shareholders, Dynamic Intertrade PYT Ltd. and Lamberti Specialty Chemicals PTY Ltd. (“**Vendors**”) through the provision of three loan facilities. The first loan of ZAR560,000 (paid, equivalent to CAN\$54,869) will be refundable and utilized to eliminate current payables and liabilities of APV. The second refundable loan will consist of monthly advances of ZAR150,000 (first monthly advance was paid, equivalent to CAN\$14,697) per month to be used for working capital requirements of APV. The final loan facility, subject to TSX-V’s approval, will be the advance of ZAR6,343,297 (equivalent to CAN\$621,516) to APV for the repayment of the APV shareholder loans of the Vendors. Upon the completion of the three loan facilities by the Company, the Vendors will transfer their respective ownership in APV to the Company for the payment of ZAR10.

### ELI Investment

ELI Agri (PTY) Ltd (“**ELI**”) supplies agricultural business solutions to a range of clients in Africa and the rest of the developing world.

Pursuant to the investment agreement (the “**ELI Investment Option**”) executed on November 11, 2016 between the Company and ELI, the Company will have an option to acquire 25% of the outstanding capital stock of ELI on a fully diluted basis upon: i) completing a ZAR700,000 refundable loan (“**Down Payment**”) to ELI which on closing of the COB Transaction will convert to capital stock in ELI and be utilized by ELI for working capital purposes; ii) make an investment of ZAR2,875,000 (equivalent to CAN\$281,693) into ELI via an equity placement for common shares in ELI; and iii) advance a loan facility of ZAR5,750,000 (equivalent to CAN\$563,385) to ELI (the “**ELI Loan**”).

Immediately following completion of the ELI Loan, the Company will have security over the assets of ELI.

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2016 and 2015

Expressed in Canadian Dollars

---

The advance will be refundable if closing of the agreement does not take place within a reasonable period, repayable to the Company and subject to an annual interest rate of 5%. Refundable Down Payment along with the Aldwych Engagement Agreement (Note 8) will trigger a 120-day exclusive period for PMR to complete the investment in and acquisition of AGGC. This 120-day exclusive period will be extended for a further 30-day period if the regulatory approvals process requires more time to complete. Following Closing, the board of directors of AGGC will consist of new directors appointed by the Company.

Subsequent to December 31, 2016, the Company terminated ELI Investment Option agreement. No advance was made to ELI.

### GrowBuddy Investment

Growbuddy Inc. ("GrowBuddy") provides technology services and social community services to cannabis cultivators.

Pursuant to the share purchase and share put agreement (the "**GrowBuddy Agreement**") dated August 22, 2016, among the shareholders of GrowBuddy, GrowBuddy and the Company (pursuant to an assignment of a letter of intent from Nexvu Capital Corp., a related party), the Company has agreed to acquire an initial 25% of the fully-diluted issued capital of GrowBuddy for US\$1,165,000 in consideration by making the following installments (where installments 2 through 9 accrue subject to the closing of the COB Transaction):

Installment & Ownership	Due	Amount (US\$)
1. For a initial 1% ownership	Within 1 month of Execution of Agreement	\$50,000
2. For an additional 2% ownership	Within 1 month of the TSXV approval	\$100,000
3. For an additional 4% ownership	Within 2 months of the TSXV approval	\$200,000
4. For an additional 3% ownership	Within 5 months of the TSXV approval	\$150,000
5. For an additional 3% ownership	Within 6 months of the TSXV approval	\$150,000
6. For an additional 3% ownership	Within 7 months of the TSXV approval	\$150,000
7. For an additional 2% ownership	Within 10 months of TSXV approval	\$100,000
8. For an additional 2% ownership	Within 11 months of the TSXV approval	\$100,000
9. For an additional 5% ownership	Within 18 months of the TSXV approval	\$165,000
Total		\$1,165,000

The terms of the assignment are equivalent to the one for Nexvu Capital Corp.

The first installment of US\$50,000 (equivalent to CAN\$64,135) has advanced as a refundable loan and the fund will be applied as the first installment upon closing. The Company will forfeit 1.5% of its cumulative ownership in GrowBuddy if the Company fails to make an installment payment on or before the due date other than those Installments delayed due to a required regulatory approval and the Company will be granted a 30-day period from the due date of any installment to cure a breach of the GrowBuddy Agreement due to the failure to make an installment payment on or before the due date.

The obligation of the Company to purchase the GrowBuddy Shares in the amount and for the price outlined in the GrowBuddy Agreement shall be conditional on certain milestones being achieved by GrowBuddy and in the event any milestone is not achieved the Company percentage ownership in GrowBuddy will be increased by an additional 1.5% upon making the respective installment payment.

Upon the Company having acquired 25% of the issued and outstanding shares of GrowBuddy, the shareholders of GrowBuddy will have the right at their option to require the Company to acquire an additional 15% of the them issued and outstanding shares of GrowBuddy. The value of the GrowBuddy shares subject to additional acquisition will be set at a 10% discount to the value determined by a third party valuator appointed by the shareholders and the Company. The value of the Company's shares will be determined by the preceding 10-day volume weighted average closing price.

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

### 8. Change of Business Financing

In conjunction with the COB announced on September 26, 2016, the Company and Aldwych Capital Partners LLC (“Aldwych”), a New York-based investment banking firm as an adviser and placement agent for the purposes of structuring and raising capital for the Company’s COB transaction, to undertake debt financing (“COB Financing”). Minimum principal amount and terms of debt facilities including interest rate have not been determined. Closing of the financing is subject to the closing of the COB transactions.

The Company requires to pay work fees in total of US\$70,000. For the year ended December 31, 2016, the Company paid US\$15,000 (\$19,976) of work fee to Aldwych and it was recorded as professional fees in the consolidated comprehensive loss.

In addition, the Company is required to pay from 2.5% to 6.5% of fee in cash depending on the total fund raised through different type of debt facilities.

### 9. Loans

As at December 31, 2016, the Company has received \$402,810 (US\$300,000) in loans from non-related parties. These loans accrue interest at a rate 3% every 30 days, repayable at 6 months after receipt or at closing of the COB financing (Note 8). Total interest accrued at December 31, 2016 is \$22,624 (US\$16,850).

As at December 31, 2015, the Company had the demand loan payable in the amount of \$10,000 or US\$8,394. This loan initially matured on June 15, 2015 and became due on demand upon default of repayment. During the year ended December 31, 2016, the Company repaid the loan with the interest of \$2,811 which was agreed upon by the Company and the lender.

### 10. Related party transactions

The Company entered into transactions, including compensation of key management, with the following related parties:

Name	Relationship	Nature of Transaction	Fees incurred period ended December 31, 2016	Fees incurred period ended December 31, 2015	Balance payable at December 31, 2016	Balance payable at December 31, 2015
Nexvu Services Inc.	Owned by Nexvu Capital, of which Brian Leeners is a shareholder	Rent and corporate services	\$ 120,000	\$ 120,000	\$ 184,875	\$ 84,000
Brian Leeners	Chief executive officer and director	Management services	120,000	120,000	226,400	144,400
ISG Professional Services Inc.	Annie Storey, former chief financial officer, who is a shareholder	Accounting services	10,000	60,000	84,788	82,688
KnowHowe Media	Brian Leeners is a shareholder	Advertising and promotion	-	12,000	(4)	8,400
Global Link Capital	Greg Pearson, director of the Company, is a shareholder	Management services	120,000	90,000	195,725	109,725

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

Gordorn J. Fretwell, Law Corporation	Gordon Fretwell is a shareholder of Nexvu Capital Corporation		46,999	-	68,585	27,225
Avanti Management & Consulting Ltd.	Michael Dehn is a shareholder	Rent and management services	-	8,500	31,540	27,825
Primrose Drilling Ventures Ltd. (Primrose)	Alice D. Gardner, former director, is a 25% shareholder of 1280417 Alberta Ltd., which is 100% shareholder of Primrose		-	-	685,958 <sup>(2)</sup>	699,975
AE Financial Management Ltd.	Edward Low, chief financial officer, is a shareholder	Accounting services	35,000	-	35,000	-
			\$ 451,999	\$ 410,500	\$ 1,512,871	\$ 1,184,238

<sup>(1)</sup> Amount payable transferred to a third party.

<sup>(2)</sup> The payable to Primerose is US\$510,880.

Balances owing are due on demand, unsecured, non-interest bearing and have no specified terms of repayment.

In November 2015, the Company entered into a binding letter of intent with Phoenix Metals Inc., a company with directors and officers in common, to option a 60% interest in four metallic and industrial mineral permits in northwestern Alberta, collectively known as the Peace River Frac Sand Project. The agreement requires a one-time cash payment of \$50,000 (\$25,000 paid) and cumulative work expenditures of \$500,000 over 24 months. During the year ended December 31, 2015, the Company decided to abandon this project.

As at December 31, 2016, the Company owes to Phoenix Metals Corporation, a company with officers and directors in common, \$25,000 (2015 - \$nil), bearing no interest and payable on demand.

As at December 31, 2016, the Company owed to Nexvu Capital Corp. \$57,176 (2015 - \$nil) for advance which bears no interest and is payable on demand.

### 11. Share capital

Authorized: unlimited common voting shares, without par value.

No common shares were issued during the year ended December 31, 2015.

During the year ended December 31, 2016, the Company issued 885,000 units pursuant to a non-brokered private placement for gross proceeds of \$88,500, of which \$70,000 was received in the year ended December 31, 2015. Each unit consists of one common share and one common share purchase warrant with each unit warrant entitling the holder to acquire one additional common share at a price of \$0.25 cents per share for six months from closing, and then for a price of \$0.50 cents per share from six months to twelve months from closing. No fair value was allocated to the warrants.

### 12. Options and warrants

#### a) Stock options

The Company has adopted an incentive stock option plan (the "SOP"), as amended, under the rules of the TSX-V pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 20% of the issued and outstanding common shares of the Company. Under the SOP, the option exercise price of any option granted shall be equal to the greater of either the amount designated by the administrator at the time of grant, or the discounted market price of the Company's common shares for the 10 trading days immediately preceding the day on which

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

---

the TSX-V received notice that options have been granted under this SOP. For the purpose of the SOP, the discounted market price is calculated in accordance with the policies of the TSX-V at the time of grant of the options. The administrator may also determine that the option exercise price per common share may escalate at a specified rate or rates. The options can be granted for a maximum term of 5 years and vest immediately. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued upon the exercise of options are restricted from trading during the 4 month period subsequent to the exercise of the options. For stock options granted to employees, officers, directors and consultants, the Company recognizes stock based compensation expense based on the estimated fair value of the stock options granted as calculated using the Black-Scholes option-pricing model on the date of the grant.

No stock options were issued by the Company during the year ended December 31, 2016 or 2015, and no stock options are outstanding as at December 31, 2016 or 2015.

### b) Warrants

During the year ended December 31, 2016, the Company issued 885,000 warrants in a private placement. The warrants are exercisable at a price for \$0.25 per warrant until January 6, 2017 when the exercise price increases to \$0.50 per warrant. The warrants expire on July 5, 2017.

A summary of changes in warrants outstanding during the period is as follows:

	Number of warrants		Weighted average exercise price
Balance, December 31, 2014	5,115,000	\$	0.50
Expired	(5,115,000)		0.50
Balance, December 31, 2015	-		-
Issued	885,000		0.25
Balance, December 31, 2016	885,000	\$	*0.25

Summary of warrants outstanding at December 31, 2016:

Number of warrants	Exercise Price	Expiry Date
885,000	\$0.25*	July 5, 2017

\* the warrant exercise price increases to \$0.50 on January 6, 2017.

### 13. Segmented information

The Company has one reportable operating segment. All assets and liabilities are located in Canada except payable to related party of \$685,958 (2015 - \$699,975).

# PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
Expressed in Canadian Dollars

## 14. Financial instruments

Financial assets and financial liabilities as at December 31, 2016 and 2015 were as follows:

As at December 31, 2016	Assets/liabilities at fair value through profit and loss	Other liabilities	Total
Cash	\$ 2,170	\$ -	\$ 2,170
Marketable securities	1,750	-	1,750
Accounts payable and accrued liabilities	-	976,552	976,552
Loans	-	425,434	425,434
Payable to related party	-	685,958	685,958

As at December 31, 2015	Assets/liabilities at fair value Through profit and loss	Other liabilities	Total
Cash	\$ 8	\$ -	\$ 8
Marketable securities	1,500	-	1,500
Accounts payable and accrued liabilities	-	527,900	527,900
Payable to related party	-	699,975	699,975

## 15. Income taxes

The following table reconciles the expected income tax payable (recovery) at the Canadian federal and provincial statutory income tax rates to the amounts recognized in the statements of operations and comprehensive loss for the period ended December 31, 2016 and 2015. The presentation of the prior year income tax note has been updated to conform with the current year presentation.

	December 31, 2016 \$	December 31, 2015 \$
Loss from continuing operations before income taxes	(536,763)	(480,909)
Statutory income tax rate	26.00%	26.00%
Expected income tax expense (recovery)	(139,558)	(125,036)
Non-deductible items	594	1,238,324
Effect of foreign exchange rates	46,840	(235,605)
Change in deferred tax asset not recognized	92,124	(877,802)
Total income tax expense (recovery)	-	-

# PRIME MERIDIAN RESOURCES CORP.

## Notes to the Consolidated Financial Statements For the Years Ended December 31, 2016 and 2015 Expressed in Canadian Dollars

---

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. The unrecognized deductible temporary differences are as follows:

<b>Canada</b>	<b>December 31, 2016 \$</b>	<b>December 31, 2015 \$</b>
Non capital loss carryforwards	2,359,803	1,834,945
Exploration and evaluation assets	17,500	17,500
Financing costs	15,981	-
Capital loss carryforwards	8,219	-
Other	12,820	8,500
Unrecognized deductible temporary differences	2,414,323	1,860,945

  

<b>USA</b>	<b>December 31, 2016 \$</b>	<b>December 31, 2015 \$</b>
Net operating loss	1,589,943	1,638,848
Exploration and evaluation assets	2,888,896	2,977,755
Unrecognized deductible temporary differences	4,478,839	4,616,603

The Company has non-capital loss carryforwards of \$2,359,803 (2015 - \$1,834,945) which may be carried forward to apply against future income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

<b>Year of Expiry</b>	<b>\$</b>
2027	19,881
2028	192,699
2029	126,975
2030	160,385
2031	112,379
2032	166,416
2033	162,746
2034	421,514
2035	480,471
2036	516,337
<b>Total</b>	<b>2,359,803</b>

In addition, the Company has capital loss of \$8,219, which may be carried forward indefinitely to reduce future capital gains.

The Company has net operating loss carryforwards of \$1,589,943 (2015 - \$1,589,943) which may be carried forward to apply against future income tax for US tax purposes, as follows:

<b>Year of Expiry</b>	<b>\$</b>
2024	150,604

# PRIME MERIDIAN RESOURCES CORP.

Notes to the Consolidated Financial Statements  
For the Years Ended December 31, 2016 and 2015  
Expressed in Canadian Dollars

---

2025	135,356
2026	397,416
2027	351,084
2028	140,053
2029	117,313
2030	218,139
2031	66,513
2034	12,981
2035	484
<u>Total</u>	<u>1,589,943</u>

## 16. Subsequent Events

- a. In January 2017, the Company received a loan of US\$100,000 in total from non-related party. The loan accrues interest at a rate 3% every 30 days and is repayable at 6 months after receipt or at closing of the COB financing.
- b. On January 18, 2017, the Company paid Aldwych an additional work fee in the amount US\$20,000.
- c. On February 2, 2017 the Company advanced additional US\$40,000 to Growbuddy.
- d. On February 22, 2017, the Company advanced additional ZAR975,000 (equivalent to CAN\$95,550) to Avinier.
- e. On February 28, 2017, the Company advanced additional Growbuddy US\$40,000.
- f. In February and March, 2017, the Company received advances of US\$100,000 and \$34,000 from its related company with a director in common.